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HARBOR ISLAND UTILITIES, INC.

April 19, 2018

The Honorable Swain E. Whitfield, Chairman
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Docket 2017-381-A
Impact of the Tax Cuts and Jobs Act

Dear Chairman Whitfield:

Harbor Island Utilities, Inc. (HIU) is in receipt of the Office of Regulatory Staff's ("ORS") Motion filed April 6, 2018, in the above-referenced docket. HIU requests that the Commission deny the Motion on the following grounds:

1. ORS's request fails to consider the complete rate making picture. The amount of taxes a utility pays is only one part of the equation that is used to set rates. Taxes are an expense that is used to determine a utility's revenues as part of a general rate case. Any decision as to what action, if any, is required because of the change in tax rates cannot be made in isolation. The Commission must consider the regulated utility's overall earnings and whether it can earn its overall rate of return. Instead, the ORS is asking the Commission to consider the benefits of the Tax Cuts and Jobs Act ("TCJA") in isolation.

If HIU is earning above its authorized rate of return, HIU does not object to reducing its rates accordingly or refunding the benefit to its customers. If, however, a utility is "underperforming" - i.e., not achieving its approved rate of return or operating margin - it should not suffer additional financial hardships by refunds to customers. By not requiring refunds for underperforming utilities, the Commission allows a utility to offset those shortcomings and postpones the need for a rate case. Our utility

currently is not earning our authorized operating margin. If a refund or rate reduction is ordered, it will cause our operating margin to fall even further below the operating margin most recently approved by the Commission. **Ordering this refund is single-issue ratemaking and contrary to just and reasonable ratemaking, which should allow a utility the opportunity to earn its authorized operating margin.**

2. The ORS website includes the following information relating to their duty to protect the public interest of South Carolina in utility regulation: "Act 175 defines public interest as a balance among three essential components: the concerns of the using and consuming public; the financial integrity of public utilities; and the economic development of South Carolina." **ORS's Motion fails to consider the financial integrity of public utilities.**
3. Our last rates were based on a 2015 test year. Our expenses have increased significantly since then, and we have had some large maintenance expenses. **It is inappropriate for the ORS to view the benefits of TCJA for ratepayers without consideration of all the utility's earnings and expenses.**
4. The Motion requests an effective date of January 1, 2018 for the accrual of tax benefits to ratepayers; however, we will not know the true effects of the TCJA until the end of this year, when the new tax rates are applied to actual earnings. **If ratepayers are over refunded, will the utility be allowed to true-up for those amounts?**
5. There is no mention of utilities having time to object to or comment on this Motion. Are utilities not entitled to be heard on this matter? **Where is the opportunity to be heard for utilities?**
6. ORS has not proposed any specific guidance or methodology for calculating the impact of the TCJA. The administrative costs for a utility to provide refunds, or if necessary, to seek an increase in rates via a rate case, could easily cost the customers more in the long run than the amount of the refund. Furthermore, the proposed date of May 1, 2018, or ten days following an order by the Commission is an unreasonable deadline to impose on utilities without the resources to perform the necessary

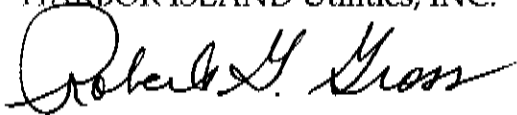
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analysis in such a short timeframe. Moreover, it is still unclear what specifically would be required for such a report.

7. **Ordering utilities to make refunds or to lower rates constitutes retroactive ratemaking, which should not be allowed.**

Harbor Island Utilities, Inc. requests that the Commission deny this Motion.

Sincerely,
HARBOR ISLAND Utilities, INC.

A handwritten signature in black ink, appearing to read "Robert G. Gross". The signature is fluid and cursive, with the first name "Robert" being more prominent than the last name "Gross".

Robert G. Gross
President